

**CITY OF LAMONI  
& LAMONI MUNICIPAL UTILITIES  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2012**

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**City of Lamoni**

**Officials**

<u>Name</u>	<u>Title</u> <b>(Before January 2012)</b>	<u>Term Expires</u>
Janelle Anders	Mayor	January 2012
Marcy Biesemeyer	Mayor Pro-Tem	January 2014
Doug Foster	Council Member	January 2012
Roger Potts	Council Member	January 2012
Anthony Crandell	Council Member	January 2014
Mary Ann Manuel	Council Member	January 2014

Barb Stuck	Clerk/Administrator/Treasurer	Indefinite
Emil Segebart	General Manager/ Lamoni Municipal Utilities	Indefinite
Judy Harris	Deputy Clerk	Indefinite
Robert Rolfe	City Attorney	Indefinite

**(After January 2012)**

Janelle Anders	Mayor	January 2014
Marcy Biesemeyer	Mayor Pro-Tem	January 2014
Anthony Crandell	Council Member	January 2014
Mary Ann Manuel	Council Member	January 2014
Doug Foster	Council Member	January 2016
Roger Potts	Council Member	January 2016

Barb Stuck	Clerk/Administrator/Treasurer	Indefinite
Judy Harris	Deputy Clerk	Indefinite
Emil Segebart	General Manager/ Lamoni Municipal Utilities	Indefinite
Robert Rolfe	City Attorney	Indefinite

January 6, 2013

Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni and Lamoni Municipal Utilities, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Lamoni's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni and Lamoni Municipal Utilities as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

Independent Auditor's Report  
City of Lamoni

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 6, 2013 on our consideration of the City of Lamoni's and Lamoni Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Lamoni's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the six years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lamoni's and Lamoni Municipal Utilities' basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 6 through 11 and 33 through 35 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Schroer & Associates, P.C.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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As management of the City of Lamoni, we offer readers of the City of Lamoni's financial statements this narrative overview and analysis of the financial activities of the City of Lamoni for the fiscal year ending June 30, 2012. This section should be read in conjunction with the financial statements and the accompanying notes that follow.

### **2012 Financial Highlights**

- Receipts of the City's governmental activities decreased by \$13,228 from fiscal 2011 to fiscal 2012. Capital grants decreased approximately \$17,000.
- Disbursements decreased \$85,142, from fiscal 2011 to fiscal 2012. Debt service decreased approximately \$176,000, and public safety increased approximately \$98,000.
- The City's total cash basis net assets decreased by \$532,471 from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities (**the City**) increased \$129,910 and the assets of the business type activities (**the Utilities**) decreased by \$662,381. The decrease was primarily due to the expenditure of note proceeds received the prior year.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitation resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities (the City) include public safety, public works, culture and recreation, community and economic development, general government, and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities (the Utilities) include the electric and gas utilities, the water works, and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The city has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The Governmental Fund Financial Statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities (**the Utilities**). The City maintains four Enterprise Funds to provide separate information for the electric, gas, water and sewer funds, all considered being major funds of the City.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$129,910 from a year ago. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 282,290	261,960
Operating grants, contributions and restricted interest	386,233	457,079
Capital grants, contributions and restricted interest	-	17,471
General receipts:		
Property tax	731,717	674,926
Tax increment financing	24,712	28,905
Local option sales tax	129,921	112,497
Grants and contributions not restricted to specific purpose	1,493	16,044
Unrestricted interest on investments	260	972
Total receipts	1,556,626	1,569,854
Disbursements:		
Public safety	436,667	338,027
Public works	583,188	550,816
Culture and recreation	256,184	286,084
Community and economic development	40,073	64,046
General government	160,729	147,623
Debt service	27,040	203,290
Capital projects	1,263	400
Total disbursements	1,505,144	1,590,286
Change in cash basis net assets before transfers	51,482	(20,432)
Transfers, net	78,428	79,597
Change in cash basis net assets	129,910	59,165
Cash basis net assets beginning of year	457,481	398,316
Cash basis net assets end of year	\$ 587,391	457,481

The total receipts for governmental activities decreased 13,228.

The cost of all governmental activities this year was \$1,505,144 compared to \$1,590,286 last year.

Decrease in costs was noted for debt service.

As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was \$838,032, due to costs paid by those directly benefited from the programs of \$282,290 or by other governments, organizations that subsidized certain programs with grants, contributions and restricted interest of \$386,233.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Electric	\$ 2,415,541	2,486,223
Gas	576,659	686,531
Water	417,904	470,745
Sewer	265,312	239,889
Capital grants, contributions and restricted interest	9,904	112,504
General receipts:		
Unrestricted interest on investments	11,813	25,489
Note proceeds	5,000	164,828
Total receipts	3,702,133	4,186,209
Disbursements:		
Electric	2,724,005	4,293,619
Gas	850,691	657,693
Water	414,830	754,878
Sewer	296,560	298,365
Total disbursements	4,286,086	6,004,555
Change in cash basis net assets before transfers	(583,953)	(1,818,346)
Transfers, net	(78,428)	(79,597)
Change in cash basis net assets	(662,381)	(1,897,943)
Cash basis net assets beginning of year	2,308,235	4,206,178
Cash basis net assets end of year	\$ 1,645,854	2,308,235

Total business type activities receipts for the fiscal year were \$3,702,133 compared to \$4,186,209 last year. The cash balance decreased by \$662,381. Total disbursements for the fiscal year decreased \$1,718,469. This was primarily due to capital projects disbursements the prior year.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Lamoni completed the year, its governmental funds reported a combined fund balance of \$587,391, an increase of \$129,910 from last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund balance at the end of the year was \$3,352, a decrease of \$6,224 from the prior year.
- The Road Use Tax Fund balance at the end of the fiscal year was \$134,518, an increase of \$35,699 due to less spending than anticipated. We put off the purchase of a new tractor until next fiscal year.
- The Local Option Sales Tax Fund balance at the end of the fiscal year was \$339,719, an increase of \$17,728 from the prior year. The City is accumulating LOST funds for a completion of a third ball field and a bathhouse/storm shelter project.
- Debt Service Fund balance was \$(97,842), an increase of \$23,384 from the prior year due to less in anticipated debt for a sewer extension project.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS (LAMONI MUNICIPAL UTILITIES)**

- The Electric Fund balance at the end of the fiscal year was \$806,348, a decrease of \$354,714 from the prior year due to costs paid of \$193,935 for finishing a generator project started last year, \$147,175 for a substation project, and \$24,030 for the cost share of a new trencher.
- The Gas Fund balance at the end of the fiscal year was \$245,825; a decrease of \$270,926 from the prior year due to additional costs paid for stored gas of over \$200,000 and lost revenue due to a milder winter. The Fund also paid costs of \$55,726 for capital purchases including the cost share for a new trencher of \$11,570, a new fusion machine for \$5,000 and regulator upgrades of \$38,976.
- The Water Fund balance at the end of the fiscal year was \$292,420, a decrease of \$6,233, mainly due to the cost share of \$5,785 for a new trencher and \$27,076 in repairs to the North and South solid contact units.
- The Sewer Fund balance at the end of the fiscal year was \$301,261, a decrease of \$30,508 from the prior year due to capital purchases including rebuilding the Phelps Sewer crossing replacement for \$27,648, a new aspirator pump for \$14,701, and the cost share of a new trencher of \$3,115.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City budget was amended by \$(50,836) for receipts and \$305,877 for disbursements. City receipts were approximately \$117,000 less than budgeted primarily due to overestimating charges for services. After the budget amendment, total disbursements were approximately \$246,000 less than anticipated primarily due to fewer disbursements for capital projects.

## DEBT ADMINISTRATION

At June 30, 2012, the City had approximately \$3,123,000 in bonds and other long-term debt, compared to approximately \$3,671,000 last year as shown below:

Outstanding Debt at Year End (Expressed in Thousands)			
		Year ended June 30,	
		2012	2011
General obligation notes and bonds	\$	487	\$ 573
Revenue bonds and notes (Utility debt)		2,586	3,042
Other debt		50	56
	\$	<u>3,123</u>	<u>\$ 3,671</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$487,000 is below its constitutional debt limit of approximately \$3,480,000.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Lamoni's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for various City activities.

The bonding amount for a sewer extension has dropped dramatically. This will have a positive impact on the debt service levy. The purchase of a new tractor for the street department will use a significant portion of the carry over road use tax funds. Equipment and rehabilitation of the softball field coupled with the bathhouse/storm shelter project will take up a large portion of the local option sales tax funds that have accumulated.

Lamoni Municipal Utilities is under constraints by the EPA to add emissions equipment to their diesel engines at an estimated cost of \$252,000. This cost will most likely result in a rate increase due to the lowering reserve numbers.

Lamoni Municipal Utilities is reclassifying the sewer treatment plant to include actual plant capacities. This effort combined with the more stringent nutrient and disinfection regulations on the horizon makes it important to build cash reserves to address these regulatory costs.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Barb Stuck, City Clerk, 190 South Chestnut Street, Lamoni, Iowa. Contact Emil Segebart, General Manager, 111 South Chestnut Street, Lamoni, Iowa for questions concerning the Lamoni Municipal Utilities' finances.

**City of Lamoni**

**City of Lamoni**  
**Basic Financial Statements**

City of Lamoni  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2012

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities (the City):			
Public safety	\$ 436,667	16,225	14,997
Public works	583,188	220,516	269,229
Culture and recreation	256,184	44,524	68,789
Community and economic development	40,073	-	18,153
General government	160,729	1,025	15,065
Debt service	27,040	-	-
Capital projects	1,263	-	-
Total governmental activities	1,505,144	282,290	386,233
Business type activities (the Utilities):			
Electric	2,724,005	2,415,541	-
Gas	850,691	576,659	-
Water	414,830	417,904	-
Sewer	296,560	265,312	-
Total business type activities	4,286,086	3,675,416	-
Total	\$ 5,791,230	3,957,706	386,233

**General Receipts:**

Property tax levied for:  
    General purposes  
    Employee benefits  
    Debt service  
Tax increment financing  
Local option sales tax  
Grants and contributions not restricted to specific purpose  
Unrestricted interest on investments  
Note proceeds  
Transfers  
    Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year, restated

Cash basis net assets end of year

**Cash Basis Net Assets:**

Restricted:  
    Expendable:  
        Streets  
        Local option referendum purposes  
        Debt service  
        Other purposes  
Unrestricted

Total cash basis net assets

See notes to financial statements.

Capital Grants Contributions and Restricted Interest	Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
-	(405,445)	-	(405,445)
-	(93,443)	-	(93,443)
-	(142,871)	-	(142,871)
-	(21,920)	-	(21,920)
-	(144,639)	-	(144,639)
-	(27,040)	-	(27,040)
-	(1,263)	-	(1,263)
-	(836,621)	-	(836,621)
5,196	-	(303,268)	(303,268)
356	-	(273,676)	(273,676)
4,352	-	7,426	7,426
-	-	(31,248)	(31,248)
9,904	-	(600,766)	(600,766)
9,904	(836,621)	(600,766)	(1,437,387)
\$	422,333	-	422,333
	191,867	-	191,867
	117,517	-	117,517
	24,712	-	24,712
	129,921	-	129,921
	1,493	-	1,493
	260	11,813	12,073
	-	5,000	5,000
	78,428	(78,428)	-
	966,531	(61,615)	904,916
	129,910	(662,381)	(532,471)
	457,481	2,308,235	2,765,716
\$	587,391	1,645,854	2,233,245
\$	134,518	-	134,518
	339,719	-	339,719
	-	751,859	751,859
	136,514	-	136,514
	(23,360)	893,995	870,635
\$	587,391	1,645,854	2,233,245

City of Lamoni  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and for the year ended June 30, 2012

		Special Revenue		
	General	Road Use Tax	Local Option Sales Tax	Debt Service
Receipts				
Property tax	\$ 406,495	-	-	117,381
Tax increment financing collections	-	-	-	-
Other city tax	15,838	-	129,921	136
Licenses and permits	1,300	-	-	-
Use of money and property	14,818	-	-	-
Intergovernmental	16,777	220,434	21,910	-
Charges for service	248,752	-	-	-
Miscellaneous	36,804	-	-	-
Total receipts	740,784	220,434	151,831	117,517
Disbursements				
Operating:				
Public safety	259,080	-	80,663	35,840
Public works	235,998	184,735	2,117	52,293
Culture and recreation	211,715	-	11,322	-
Community and economic development	3,110	-	-	-
General government	124,493	-	10,001	-
Debt service	-	-	-	27,040
Capital projects	-	-	-	-
Total disbursements	834,396	184,735	104,103	115,173
Excess (deficiency) of receipts over (under) disbursements	(93,612)	35,699	47,728	2,344
Other financing sources (uses):				
Operating transfers in	87,388	-	-	21,040
Operating transfers out	-	-	(30,000)	-
Total other financing sources (uses)	87,388	-	(30,000)	21,040
Net change in cash balances	(6,224)	35,699	17,728	23,384
Cash balances beginning of year	9,576	98,819	321,991	(121,226)
Cash balances end of year	\$ 3,352	134,518	339,719	(97,842)
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Streets	\$ -	134,518	-	-
Local option referendum purposes	-	-	339,719	-
Other purposes	-	-	-	-
Assigned for capital projects	-	-	-	-
Unassigned	3,352	-	-	(97,842)
Total cash basis fund balances	\$ 3,352	134,518	339,719	(97,842)

See notes to financial statements.

Other Nonmajor Governmental Funds	Total
191,644	715,520
24,712	24,712
223	146,118
-	1,300
1,506	16,324
47,913	307,034
-	248,752
60,062	96,866
<u>326,060</u>	<u>1,556,626</u>
61,084	436,667
108,045	583,188
33,147	256,184
36,963	40,073
26,235	160,729
-	27,040
1,263	1,263
<u>266,737</u>	<u>1,505,144</u>
59,323	51,482
-	108,428
-	<u>(30,000)</u>
-	<u>78,428</u>
59,323	129,910
<u>148,321</u>	<u>457,481</u>
<u>207,644</u>	<u>587,391</u>
-	134,518
-	339,719
136,514	136,514
102,169	102,169
<u>(31,039)</u>	<u>(125,529)</u>
<u>207,644</u>	<u>587,391</u>

City of Lamoni – Lamoni Municipal Utilities  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2012

	Enterprise Funds				
	Electric	Gas	Water	Sewer	Total
Operating receipts:					
Charges for service	\$ 2,412,630	576,659	411,970	265,312	3,666,571
Operating disbursements:					
Business type activities	<u>2,353,897</u>	<u>810,567</u>	<u>341,898</u>	<u>207,386</u>	<u>3,713,748</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	58,733	(233,908)	70,072	57,926	(47,177)
Non-operating receipts (disbursements):					
Interest on investments	5,942	2,750	2,381	740	11,813
Rent	2,911	-	5,934	-	8,845
Intergovernmental	5,196	356	4,352	-	9,904
Debt service	(202,985)	-	(19,429)	(74,700)	(297,114)
Capital projects	<u>(167,123)</u>	<u>(40,124)</u>	<u>(53,503)</u>	<u>(14,474)</u>	<u>(275,224)</u>
Total non-operating receipts (disbursements)	<u>(356,059)</u>	<u>(37,018)</u>	<u>(60,265)</u>	<u>(88,434)</u>	<u>(541,776)</u>
Excess (deficiency) of receipts over (under) disbursements	(297,326)	(270,926)	9,807	(30,508)	(588,953)
Other financing sources (uses):					
Note proceeds	-	-	5,000	-	5,000
Operating transfers (out)	<u>(57,388)</u>	<u>-</u>	<u>(21,040)</u>	<u>-</u>	<u>(78,428)</u>
	<u>(57,388)</u>	<u>-</u>	<u>(16,040)</u>	<u>-</u>	<u>(73,428)</u>
Net change in cash balances	(354,714)	(270,926)	(6,233)	(30,508)	(662,381)
Cash balances beginning of year	<u>1,161,062</u>	<u>516,751</u>	<u>298,653</u>	<u>331,769</u>	<u>2,308,235</u>
Cash balances end of year	<u>\$ 806,348</u>	<u>245,825</u>	<u>292,420</u>	<u>301,261</u>	<u>1,645,854</u>
<b>Cash Basis Fund Balances</b>					
Reserved for debt service	\$ 385,921	-	292,420	73,518	751,859
Unreserved	<u>420,427</u>	<u>245,825</u>	<u>-</u>	<u>227,743</u>	<u>893,995</u>
Total cash basis fund balances	<u>\$ 806,348</u>	<u>245,825</u>	<u>292,420</u>	<u>301,261</u>	<u>1,645,854</u>

See notes to financial statements.

City of Lamoni  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies**

The City of Lamoni is a political subdivision of the State of Iowa located in Decatur County. It was first incorporated in 1885 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also manages the Lamoni Municipal Utilities (the Utilities) which provide electric, gas, water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Lamoni has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Decatur County Assessor's Conference Board, the Decatur County Emergency Management Commission, and the Wayne-Ringgold-Decatur County Solid Waste Management Commission and Southern Iowa Council of Governments.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Lamoni  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

City of Lamoni  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

Special Revenue - Continued:

The Local Option Sales Tax Fund accounts for the local option sales tax received to be used for property tax relief, public safety and culture and recreation.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

Lamoni Municipal Utilities reports the following major proprietary funds:

The Electric Fund accounts for the delivery of electricity to the citizens and businesses of the City.

The Gas Fund accounts for the delivery of natural gas to the citizens and businesses of the City.

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

**C. Measurement Focus and Basis of Accounting**

The City of Lamoni maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balances and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

City of Lamoni  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies - Continued**

C. Measurement Focus and Basis of Accounting - Continued

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public safety, public works, community and economic development, debt service and business type activities functions.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2010, to compute the amounts which became liens on property on July 1, 2011. These taxes were due and payable in two installments on September 30, 2011 and March 31, 2012, at the Decatur County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

City of Lamoni  
Notes to Financial Statements  
June 30, 2012

**NOTE (2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
EE bonds	\$ 275	\$ 500	January 2015

In addition, the Utilities had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$904 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The Utilities' investment in the Iowa Public Agency Trust is unrated.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

City of Lamoni  
Notes to Financial Statements  
June 30, 2012

**NOTE (3) Bonds and Notes Payable**

Annual debt service requirements to maturity of general obligation and other debt, (the City's) and revenue debt (the Utilities') are as follows:

Year Ending June 30,	General Obligation Bonds & Notes Principal	Revenue Bonds & Notes Principal	Other Debt Principal	Total Principal
2013	\$ 92,000	192,000	6,000	290,000
2014	97,000	199,000	6,000	302,000
2015	98,000	201,000	6,000	305,000
2016	68,000	207,000	6,000	281,000
2017	69,000	210,000	6,000	285,000
2018-2022	63,000	1,178,000	20,500	1,261,500
2023-2027	-	614,000	-	614,000
2028-2030	-	56,000	-	56,000
Total	\$ 487,000	2,857,000	50,500	3,394,500

  

Year Ending June 30,	General Obligation Bonds & Notes Interest	Revenue Bonds & Notes Interest	Other Debt Interest	Total Interest
2013	\$ 18,873	102,695	-	121,568
2014	15,298	97,810	-	113,108
2015	11,430	92,360	-	103,790
2016	7,475	86,330	-	93,805
2017	4,710	79,783	-	84,493
2018-2022	3,840	280,939	-	284,779
2023-2027	-	65,843	-	65,843
2028-2030	-	3,390	-	3,390
Total	\$ 61,626	809,150	-	870,776

Interest costs paid during the year ended June 30, 2012 totaled \$129,267.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$3,480,000 which was not exceeded during the year ended June 30, 2012.

City of Lamoni  
Notes to Financial Statements  
June 30, 2012

**NOTE (3) Bonds and Notes Payable – Continued**

Revenue Notes

The Utilities have pledged future water customer receipts, net of specified operating disbursements, to repay \$293,000 issued in January 2010. Proceeds from the notes provided financing for the construction of water main extensions and improvements to the water treatment facility. The notes are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the notes are expected to require less than 80% of net receipts. Total principal and interest remaining to be paid on the notes is \$355,210. For the current year, principal and interest paid and total customer net receipts were \$19,429 and \$70,072, respectively.

The Utilities have pledged future sewer customer receipts, net of specified operating disbursements, to repay \$514,000 in sewer revenue notes issued in June 2002, and \$594,000 in sewer revenue notes issued in October 2002. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 90% of net receipts. The total principal and interest remaining to be paid on the notes is \$745,620. For the current year, principal and interest paid and total customer net receipts were \$74,700 and \$57,926, respectively.

The Utilities have pledged future electric customer receipts, net of specific operating disbursements, to repay \$2,200,000 in electric revenue notes issued on June 30, 2010. Proceeds from the notes are to provide financing for the construction of improvements to the municipal electric utility system, including the acquisition and installation of two diesel generators. The notes are payable solely from electric customer receipts and are payable through 2025. Annual principal and interest payments on the notes are expected to require 90% of net receipts. Total principal and interest remaining to be paid on the notes is \$2,565,320. For the current year, principal and interest payments and total customer net receipts were \$202,985 and \$58,733, respectively.

The resolutions providing for the issuance of the water revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the water enterprise activity and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate water revenue note sinking account for the purpose of making the note principal and interest payments when due.

City of Lamoni  
Notes to Financial Statements  
June 30, 2012

**NOTE (3) Bonds and Notes Payable – Continued**

- c) \$70,000 is required to be maintained in a water revenue note reserve account. The account is restricted for the purpose of paying the note principal and interest payments whenever, for any reason, the funds in the water revenue note sinking account are insufficient to pay such principal and interest when due.
- d) Monthly transfers of \$1,500 shall be made to the water revenue note improvement and extension account, after the sinking and reserve funds have been adequately funded. Transfers are to be made until \$125,000 has been accumulated. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for correcting any deficiencies in the sinking and revenue accounts.
- e) All funds remaining in the water account after the payment of all maintenance and operating expenses and required transfers shall be placed in the water revenue surplus account within the Enterprise Funds until a minimum of \$125,000 is accumulated. This account is restricted for the purpose of correcting any deficiencies in the sinking, reserve, and improvement and extension accounts.
- f) User rates shall be established at a level which produces and maintains net receipts at a level not less than 125% of the amount of principal and interest on the notes falling due in the next year.

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the sewer enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- c) All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in the sewer revenue surplus account within the Enterprise Funds. This account is restricted for the purpose of correcting any deficiencies in the sinking account.
- d) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the next year.

City of Lamoni  
Notes to Financial Statements  
June 30, 2012

**NOTE (3) Bonds and Notes Payable – Continued**

The resolution providing for the issuance of the electric revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the electric enterprise activity and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate electric revenue note sinking account for the purpose of making the note principal and interest payments when due.
- c) \$202,985 shall be deposited and maintained in an electric revenue note reserve account. The account is restricted for the purpose of paying the principal and interest payments whenever, for any reason, the funds in the electric revenue note sinking account is insufficient to pay such principal and interest when due.
- d) \$150,000 shall be deposited and maintained in an electric revenue note improvement and extension account. This account is restricted for the purpose of paying any improvement, extension or repair to the system, or for correcting any deficiencies in the sinking and reserve accounts.
- e) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the next year.

Current year net receipts do not meet the provisions of the bond resolutions above, for the Enterprise Funds, Sewer and Electric Accounts.

**NOTE (4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010, were \$84,944, \$71,884, and \$69,310, respectively, equal to the required contributions for each year.

City of Lamoni  
Notes to Financial Statements  
June 30, 2012

**NOTE (5)    Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. City employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon retirement, up to a maximum of 480 hours. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2012, primarily relating to the General Fund and Proprietary Funds are as follows:

Type of Benefit	Amount
Vacation	\$ 55,000
Sick leave	<u>123,000</u>
	<u>\$ 178,000</u>

This liability is computed on rates of pay effective as of June 30, 2012.

**NOTE (6)    Other Postemployment Benefits (OPEB)**

City Employee Benefits

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 11 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$420 for single coverage and \$968 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$2,711 and the plan member eligible for benefits contributed \$5,422 to the plan.

City of Lamoni  
Notes to Financial Statements  
June 30, 2012

**NOTE (6) Other Postemployment Benefits (OPEB) - Continued**

Utility Employee Benefits

Plan Description - The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 16 active and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Utility and plan members are \$530 for single coverage and \$1,224 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the Utility contributed \$1,329 and plan members eligible for benefits contributed \$2,658 to the plan.

**NOTE (7) Commitment - Colony Housing Authority**

In December 1979, the City entered into an agreement with Colony Housing Authority (CHA) of Lamoni, whereby CHA, who constructed and maintains a multiple dwelling complex for senior citizens, agreed to provide dining facilities for 30 additional persons. In consideration for the above, the City agreed to pay CHA \$500 per month commencing October 1, 1980, for a period of 480 months. The remaining balance at June 30, 2012 is \$50,500.

**NOTE (8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 30,000
	Proprietary:	
	Electric	57,388
		<u>87,388</u>
Debt Service	Proprietary:	
	Water	<u>21,404</u>
		<u>\$ 108,792</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

City of Lamoni  
Notes to Financial Statements  
June 30, 2012

**NOTE (9) Risk Management**

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE (10) Economic Development**

On August 9, 2001, the City entered into an agreement with Saab Auto and Lease, L.L.C. whereby the City will make economic development tax rebate payments to the Company for ten fiscal years during the term of the agreement. The amounts paid will represent the incremental property taxes paid with respect to the project by the Company in that fiscal year. The tax rebate payments shall not constitute general obligations of the City, but shall be paid solely and only from incremental property taxes received by the City attributable to the property. The City paid the Company \$6,516 during the fiscal year ended June 30, 2012.

On April 10, 2003, the City entered into a developing agreement with Southern Iowa Building Center, Inc. whereby the City agreed to make economic development tax rebate payments to the developer for ten fiscal years during the term of the agreement. The amounts paid will represent the property taxes paid with respect to the incremental increase in the value of the project. The rebate payments will be made on December 1 and June 1 of each fiscal year, beginning December 1, 2005 and continuing through and including June 1, 2014. The tax rebate payments shall not constitute general obligations of the City, but shall be paid solely and only from incremental property taxes received by the City. The City paid the developer \$17,752 during the fiscal year ended June 30, 2012.

**NOTE (11) Wayne- Ringgold- Decatur County Solid Waste Management Commission**

The City, in conjunction with thirty-one other municipalities and counties, has created the Wayne-Ringgold-Decatur County Solid Waste Management Commission. The Commission was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Commission is governed by a board composed of an elected representative of the governed body of each participating governmental jurisdiction. During the year ended June 30, 2012, the City of Lamoni paid the Wayne-Ringgold Decatur County Solid Waste Management Commission \$23,240. The City's future commitment is based on its population, which is currently computed at \$2.50 per capita per quarter.

Completed financial statements for the Commission can be obtained from the Commission.

City of Lamoni  
Notes to Financial Statements  
June 30, 2012

**NOTE (12) Deficit Fund Balances**

At June 30, 2012, the City had the following deficit fund balances:

Special Revenue Fund – FEMA	\$ 1,660
Debt Service	97,842
Capital Projects Fund – Airport Account	29,129
Capital Projects Fund – Fire Account	250
Total	<u>\$ 128,881</u>

The deficits will be eliminated with transfers and grant reimbursements.

**NOTE (13) Subsequent Event**

In July 2012, the City approved an offer to buy real estate for \$431,000 pending a match of 90% of the purchase price from federal aviation funds.

### **Other Information**

City of Lamoni  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds  
 Other Information  
 Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Actual
Receipts			
Property tax	\$ 715,520	-	715,520
Tax increment financing collections	24,712	-	24,712
Other city tax	146,118	-	146,118
Licenses and permits	1,300	-	1,300
Use of money and property	16,324	20,658	36,982
Intergovernmental	307,034	9,904	316,938
Charges for service	248,752	3,666,571	3,915,323
Miscellaneous	96,866	-	96,866
Total receipts	<u>1,556,626</u>	<u>3,697,133</u>	<u>5,253,759</u>
Disbursements			
Public safety	436,667	-	436,667
Public works	583,188	-	583,188
Culture and recreation	256,184	-	256,184
Community and economic development	40,073	-	40,073
General government	160,729	-	160,729
Debt service	27,040	-	27,040
Capital projects	1,263	-	1,263
Business type activities	-	4,286,086	4,286,086
Total disbursements	<u>1,505,144</u>	<u>4,286,086</u>	<u>5,791,230</u>
Excess (deficiency) of receipts over (under) disbursements	51,482	(588,953)	(537,471)
Other financing sources, net	<u>78,428</u>	<u>(73,428)</u>	<u>5,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	129,910	(662,381)	(532,471)
Balances beginning of year	<u>457,481</u>	<u>2,308,235</u>	<u>2,765,716</u>
Balances end of year	<u>\$ 587,391</u>	<u>1,645,854</u>	<u>2,233,245</u>

See accompanying independent auditors' report.

Original Budgeted Amounts	Final Budgeted Amounts	Budget to Actual Variance
709,661	735,070	(19,550)
21,600	44,024	(19,312)
100,000	120,000	26,118
17,455	19,165	(17,865)
500	500	36,482
276,240	389,292	(72,354)
4,348,075	4,033,017	(117,694)
-	29,943	66,923
<u>5,473,531</u>	<u>5,371,011</u>	<u>(117,252)</u>
345,786	349,745	(86,922)
519,194	528,338	(54,850)
277,521	277,521	21,337
24,850	24,850	(15,223)
173,078	173,078	12,349
-	-	(27,040)
416,041	436,465	435,202
<u>3,970,394</u>	<u>4,242,744</u>	<u>(43,342)</u>
<u>5,726,864</u>	<u>6,032,741</u>	<u>241,511</u>
(253,333)	(661,730)	124,259
<u>427,018</u>	<u>478,702</u>	<u>(473,702)</u>
173,685	(183,028)	(349,443)
<u>2,292,084</u>	<u>2,292,084</u>	<u>473,632</u>
<u>2,465,769</u>	<u>2,109,056</u>	<u>124,189</u>

City of Lamoni  
Notes to Other Information – Budgetary Reporting  
June 30, 2012

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$305,877. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amended amounts budgeted in the public safety, public works, community and economic development, debt service and business type activities functions.

## **Supplementary Information**

City of Lamoni  
 Schedule of Cash Receipts, Disbursements and Changes  
 in Cash Balances – Nonmajor Governmental Funds  
 As of and for the year ended June 30, 2012

	Special Revenue				Total
	Employee Benefits	Urban Renewal Tax Increment	Trust Accounts	Capital Projects	
Receipts					
Property tax	\$ 191,644	-	-	-	191,644
Tax increment financing collections	-	24,712	-	-	24,712
Other city tax	223	-	-	-	223
Use of money and property	-	-	1,506	-	1,506
Intergovernmental	-	-	47,913	-	47,913
Miscellaneous	-	-	60,062	-	60,062
Total receipts	191,867	24,712	109,481	-	326,060
Disbursements					
Operating:					
Public safety	55,099	-	5,985	-	61,084
Public works	35,881	-	72,164	-	108,045
Culture and recreation	20,945	-	12,202	-	33,147
Community and economic development	-	24,268	12,695	-	36,963
General government	23,995	-	2,240	-	26,235
Capital projects	-	-	-	1,263	1,263
Total disbursements	135,920	24,268	105,286	1,263	266,737
Excess (deficiency) of receipts over (under) disbursements	55,947	444	4,195	(1,263)	59,323
Cash balances beginning of year	(24,037)	29,721	68,584	74,053	148,321
Cash balances end of year	\$ 31,910	30,165	72,779	72,790	207,644
<b>Cash Basis Fund Balances</b>					
Restricted for other purposes	\$ 31,910	30,165	72,779	-	134,854
Assigned	-	-	-	102,169	102,169
Unassigned	-	-	-	(29,379)	(29,379)
Total cash basis fund balances	\$ 31,910	30,165	72,779	72,790	207,644

See accompanying independent auditors' report.

City of Lamoni  
Combining Schedule of Cash Receipts, Disbursements and Changes  
in Cash Balances – Capital Projects Fund  
As of and for the year ended June 30, 2012

	Capital Projects				
	Street	Trail	Fire	Airport	Total
Receipts					
None	\$ -	-	-	-	-
Disbursements					
Capital projects	-	1,263	-	-	1,263
Deficiency of receipts under disbursements	-	(1,263)	-	-	(1,263)
	86,008	17,424	(250)	(29,129)	74,053
Cash balances end of year	\$ 86,008	16,161	(250)	(29,129)	72,790

**Cash Basis Fund Balances**

Assigned	\$ 86,008	16,161	-	-	102,169
Unassigned	-	-	(250)	(29,129)	(29,379)
Total cash basis fund balances	\$ 86,008	16,161	(250)	(29,129)	72,790

See accompanying independent auditors' report.

City of Lamoni  
Schedule of Indebtedness  
Year ended June 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds and notes:			
Water improvement	Mar 1, 2001	3.84 %	\$ 298,000
Fire Station	Jul 7, 2005	3.80-4.10 %	300,000
Street improvement	Oct 15, 2007	4.10-4.50 %	385,000
Lamoni Municipal Utilities:			
Revenue bonds and notes:			
Water	Jan 27, 2010	3.00 %	\$ 293,000
Sewer	Jun 30, 2002	3.00 %	514,000
Sewer	Oct 15, 2002	3.00 %	594,000
Electric	June 30, 2010	2.00-4.65 %	2,200,000
Other debt:			
Crown colony contract	Oct 1, 1980	0.00 %	\$ 240,000

See accompanying independent auditors' report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
168,000	-	16,000	152,000	5,040	-
135,000	-	30,000	105,000	5,340	-
270,000	-	40,000	230,000	11,793	-
<u>573,000</u>	<u>-</u>	<u>86,000</u>	<u>487,000</u>	<u>22,173</u>	<u>-</u>
277,000	5,000	11,000	271,000	8,429	-
320,000	-	25,000	295,000	9,600	-
370,000	-	29,000	341,000	11,100	-
2,075,000	-	125,000	1,950,000	77,965	-
<u>3,042,000</u>	<u>5,000</u>	<u>190,000</u>	<u>2,857,000</u>	<u>107,094</u>	<u>-</u>
<u>56,500</u>	<u>-</u>	<u>6,000</u>	<u>50,500</u>	<u>-</u>	<u>-</u>

City of Lamoni and Lamoni Municipal Utilities  
Bond and Note Maturities  
June 30, 2012

Year Ending June 30,	<b>General Obligation</b>					
	Water Improvement Issued Mar 1, 2001		Fire Station Issued Jul 7, 2005		Street Improvement Issued Oct 15, 2007	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	3.84 %	\$ 17,000	3.90 %	\$ 35,000	4.20 %	\$ 40,000
2014	3.84 %	17,000	4.00 %	35,000	4.25 %	45,000
2015	3.84 %	18,000	4.10 %	35,000	4.35 %	45,000
2016	3.84 %	18,000	-	-	4.40 %	50,000
2017	3.84 %	19,000	-	-	4.45 %	50,000
2018	3.84 %	20,000	-	-	-	-
2019	3.84 %	21,000	-	-	-	-
2020	3.84 %	22,000	-	-	-	-
2021	-	-	-	-	-	-
		<u>\$ 152,000</u>		<u>\$ 105,000</u>		<u>\$ 230,000</u>

Year Ending June 30,	<b>Revenue Bonds and</b>					
	Sewer Issued Jun 30, 2002		Sewer Issued Oct 15, 2002		Water Issued Jan 27, 2010	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	3.00 %	\$ 26,000	3.00 %	\$ 30,000	3.00 %	\$ 11,000
2014	3.00 %	26,000	3.00 %	31,000	3.00 %	12,000
2015	3.00 %	27,000	3.00 %	32,000	3.00 %	12,000
2016	3.00 %	28,000	3.00 %	32,000	3.00 %	12,000
2017	3.00 %	29,000	3.00 %	33,000	3.00 %	13,000
2018	3.00 %	30,000	3.00 %	34,000	3.00 %	13,000
2019	3.00 %	31,000	3.00 %	35,000	3.00 %	14,000
2020	3.00 %	32,000	3.00 %	37,000	3.00 %	14,000
2021	3.00 %	33,000	3.00 %	38,000	3.00 %	15,000
2022	3.00 %	33,000	3.00 %	39,000	3.00 %	15,000
2023	-	-	-	-	3.00 %	16,000
2024	-	-	-	-	3.00 %	16,000
2025	-	-	-	-	3.00 %	17,000
2026	-	-	-	-	3.00 %	17,000
2027	-	-	-	-	3.00 %	18,000
2028	-	-	-	-	3.00 %	18,000
2029	-	-	-	-	3.00 %	19,000
2030	-	-	-	-	3.00 %	19,000
		<u>\$ 295,000</u>		<u>\$ 341,000</u>		<u>\$ 271,000</u>

See accompanying independent auditors' report.

<b>Bonds</b>		<b>Other Debt</b>	
		Crown Colony Contract Issued Oct 1, 1980	
	Total	Interest Rates	Amount
\$	92,000	0.00 %	\$ 6,000
	97,000	0.00 %	6,000
	98,000	0.00 %	6,000
	68,000	0.00 %	6,000
	69,000	0.00 %	6,000
	20,000	0.00 %	6,000
	21,000	0.00 %	6,000
	22,000	0.00 %	6,000
	-	0.00 %	2,500
\$	<u>487,000</u>		<u>\$ 50,500</u>

**Notes**

Electric Issued June 30, 2010		
Interest Rates	Amount	Total
2.30 %	\$ 125,000	\$ 192,000
2.60 %	130,000	199,000
3.00 %	130,000	201,000
3.25 %	135,000	207,000
3.60 %	135,000	210,000
3.80 %	140,000	217,000
4.00 %	145,000	225,000
4.15 %	155,000	238,000
4.30 %	160,000	246,000
4.40 %	165,000	252,000
4.50 %	170,000	186,000
4.65 %	175,000	191,000
4.65 %	185,000	202,000
-	-	17,000
-	-	18,000
-	-	18,000
-	-	19,000
-	-	19,000
	<u>\$ 1,950,000</u>	<u>\$ 2,857,000</u>

City of Lamoni  
Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds  
For the Last Nine Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Receipts			
Property tax	\$ 715,520	673,979	609,167
Tax increment financing collections	24,712	28,905	27,026
Other city tax	146,118	128,294	135,169
Licenses and permits	1,300	941	1,275
Use of money and property	16,324	10,587	13,468
Intergovernmental	307,034	375,204	533,304
Charges for service	248,752	236,843	209,887
Miscellaneous	<u>96,866</u>	<u>115,101</u>	<u>93,101</u>
Total	\$ <u>1,556,626</u>	<u>1,569,854</u>	<u>1,622,397</u>
Disbursements			
Operating:			
Public safety	\$ 436,667	338,027	302,133
Public works	583,188	550,816	541,905
Culture and recreation	256,184	286,084	278,841
Community and economic development	40,073	64,046	27,035
General government	160,729	147,623	146,803
Debt service	27,040	203,290	205,571
Capital projects	<u>1,263</u>	<u>400</u>	<u>162,113</u>
Total	\$ <u>1,505,144</u>	<u>1,590,286</u>	<u>1,664,401</u>

See accompanying independent auditors' report.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
585,581	522,565	528,850	516,208	472,696	470,646
28,035	40,922	37,754	48,751	46,607	30,214
124,125	132,198	122,015	103,695	123,931	102,130
1,330	17,848	2,923	5,320	3,238	4,340
15,705	14,939	15,587	16,966	21,302	15,397
581,540	281,586	296,819	646,347	445,651	272,793
215,379	190,563	190,790	185,773	172,962	151,651
<u>76,969</u>	<u>167,901</u>	<u>207,189</u>	<u>131,358</u>	<u>360,411</u>	<u>127,047</u>
<u>1,628,664</u>	<u>1,368,522</u>	<u>1,401,927</u>	<u>1,654,418</u>	<u>1,646,798</u>	<u>1,174,218</u>
326,683	232,799	282,443	764,396	240,241	253,426
483,886	499,136	421,147	422,318	395,564	373,860
261,384	226,990	197,735	311,418	280,795	232,608
64,795	137,163	95,912	73,196	75,298	47,938
158,924	138,969	126,163	139,699	136,823	138,504
201,079	144,511	343,423	338,720	275,348	122,947
<u>426,256</u>	<u>330,787</u>	<u>123,014</u>	<u>412,303</u>	<u>578,299</u>	<u>39,103</u>
<u>1,923,007</u>	<u>1,710,355</u>	<u>1,589,837</u>	<u>2,462,050</u>	<u>1,982,368</u>	<u>1,208,386</u>

**City of Lamoni**



Diane McGrain, CPA  
Jim Menard, CPA

January 6, 2013

Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 6, 2013. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Lamoni is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Lamoni's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Lamoni's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City of Lamoni's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Continued...

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City of Lamoni  
Independent Auditors' Report on  
Internal Control and Compliance and Other Matters

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in Part I of the accompanying Schedule of Findings that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lamoni's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Lamoni's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Lamoni's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Lamoni and other parties to whom the City of Lamoni may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Lamoni during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schroer & Associates, P.C.*

City of Lamoni  
Schedule of Findings  
Year Ended June 30, 2012

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

**I-A-12    Segregation of Duties**

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

**I-B-12    Reconciliation of Utility Billings and Collections**

Comment – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Even though a listing of delinquent accounts is prepared on a monthly basis, procedures should be established to reconcile utility billings, collections and delinquencies for each billing period.

Response – We have implemented procedures to do this monthly.

Conclusion – Response accepted.

City of Lamoni  
Schedule of Findings  
Year Ended June 30, 2012

**Part II: Other Findings Related to Statutory Reporting:**

II-A-12 Certified Budget

Comment – Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the public safety, public works, community and economic development, debt service and business type functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

II-B-12 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-12 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-12 Business Transactions

No business transactions were noted between the City and City officials.

II-E-12 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Lamoni  
Schedule of Findings  
Year Ended June 30, 2012

**Part II: Other Findings Related to Statutory Reporting (Continued):**

II-F-12 Council Minutes

Comment – No transactions were found that we believe should have been approved in the Council minutes but were not. Publications of minutes did not include a summary of receipts by fund for each month.

Recommendation – Receipts by fund should be published as required.

Response – We will publish receipts as required.

Conclusion – Response accepted.

II-G-12 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-12 Revenue Bonds and Notes

Comment - Current year net receipts of the Enterprise Funds, Sewer and Electric Accounts do not meet the provisions of the bond resolutions.

Recommendation – The City should review its sewer and electric rates in order to generate sufficient receipts to comply with the provisions of the revenue debt.

Response – We raised sewer fees in April 2011. We will review our electric rates.

Conclusion – Response accepted.

II-I-12 Financial Condition

Comment - At June 30, 2012, the City had the following deficit fund balances:

Debt Service	\$	97,842
Capital Projects Fund – Airport Account		29,129
Capital Projects Fund – Fire Account		250
Total	\$	<u>127,221</u>

Recommendation – The deficit in the Debt Service Fund was due to insufficient transfers from the Special Revenue, Local Option Sales Tax Fund that were budgeted to be used for property tax relief. The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

Response – We will do so.

Conclusion – Response accepted.

City of Lamoni  
Schedule of Findings  
Year Ended June 30, 2012

**Part II: Other Findings Related to Statutory Reporting (Continued):**

II-J-12 Inactive Capital Projects

Comment – The Capital Projects Fund – Fire and Airport Accounts are inactive.

Recommendation – The City should make the appropriate transfer to close the accounts.

Response – We will do so.

Conclusion – Response accepted.

II-K-12 Excess Balance

Comment – The balance in the Special Revenue Fund – Local Option Sales Tax Account at June 30, 2012, was in excess of the fund's disbursements during the year.

Recommendation – The City should determine the necessity of maintaining the substantial balance.

Response – We plan on using the funds for various park projects.

Conclusion – Response accepted.

II-L-12 Excess Tax Increment Financing Balance

Comment – The City's TIF balance includes funds collected and remitted to the City for property taxes assessed on a property in which the business had closed.

Recommendation – Chapter 403.19 requires the City to certify any reduction in the TIF debt for any reason to the County Auditor. The City should complete Form 3 or the TIF Indebtedness Certification to reduce the TIF indebtedness outstanding for cash on hand at June 30, 2012.

Response – We will do this.

Conclusion – Response accepted.